

J. M. Burton of Tulia, Swisher County (reappointment).

G. Fred Turner of Cooper, Delta County (reappointment).

To be Members of the State Library and Historical Commission:

Miss Emma K. Burleson of Austin, Travis County (reappointment).

Miss Laura Aline Hobby of Dallas, Dallas County (reappointment).

John Gould of Wichita Walls, Wichita County, to succeed Rev. R. L. Irving, deceased.

To be Notary Public:

Wm. Cheesman of Harris County, Texas.

Respectfully submitted,

ONEAL, Chairman.

The Senate was called to order, as in legislative session, at 12 o'clock m., by Senator Rawlings.

#### Report Ordered Printed

On motion of Senator Roberts, it was ordered that the supplemental report submitted and read to the Senate today by Senator Holbrook be printed in the Journal.

#### Adjournment

On motion of Senator Moore, the Senate, at 12:02 o'clock p. m., adjourned until 10 o'clock a. m., next Thursday, September 30, 1937.

### THIRD DAY

(Thursday, September 30, 1937)

The Senate met at 10 o'clock a. m., pursuant to adjournment, and was called to order by President Pro Tempore Shivers.

The roll was called, and the following Senators were present:

Aikin	Neal
Brownlee	Newton
Collie	Oneal
Cotten	Pace
Davis	Rawlings
Head	Redditt
Hill	Roberts
Holbrook	Shivers
Isbell	Small
Lemens	Spears
Moore	Stone

Sulak  
Van Zandt

Westerfeld  
Woodruff

The following Senators were absent and excused:

Beck  
Burns  
Nelson

Weinert  
Winfield

A quorum was announced present.

The invocation was offered by the Chaplain.

On motion of Senator Aikin, and by unanimous consent, the reading of the Journal of the proceedings of yesterday was dispensed with.

#### Leaves of Absence Granted

Senator Nelson was granted leave of absence for today, on account of important business, on motion to Senator Woodruff.

Senators Weinert and Winfield were granted leaves of absence for today, on account of important business, on motion of Senator Rawlings.

Senator Burns was granted leave of absence for today, on account of important business, on motion of Senator Moore.

Senator Beck was granted leave of absence for today, on account of important business, on motion of Senator Hill.

#### Report of Special Committee

Senator Holbrook submitted the following preliminary report of the Committee appointed pursuant to Senate Resolutions Nos. 12 and 90, adopted during the Regular Session of the Forty-fifth Legislature:

To the President and Members of the Senate:

By virtue of Senate Resolutions Nos. 12 and 90, passed at the Regular Session of this Legislature, a general investigating committee, to be appointed by the Lieutenant Governor, was authorized. The Lieutenant Governor thereafter appointed Senators Collie, Hill, Holbrook, Stone, and Weinert to compose the Committee. The Committee began its labors on July 28, 1937, and with short intermissions has been at work to discharge the functions imposed upon it by the Senate.

Soon after its organization, the

Committee was advised by the Governor that a special session of the Legislature would be called to convene the latter part of September, 1937, for the purpose of raising additional revenue. When this information was received the Committee began a detailed study of the financial condition of the State with a view of being able to present to this extraordinary session a report that might be of some assistance to the Members of the Legislature in determining whether there really exists a necessity for raising new or additional revenue to take care of the State's financial obligations. The chief concern of the Committee was to secure reliable information as to the State's financial status, and to ascertain whether new taxes were advisable. Our investigation was as broad and searching as our time would permit. We called before us the heads of practically all State departments of government. We questioned State employees, educators, economists and laymen, and made a careful study of appropriation bills passed at the Regular Session. Existing tax laws and their probable yield in revenue were given careful attention and study and every source that would throw light on the present financial condition of the State, and the immediate need for more revenue, was studiously explored.

It is known to all members of the Legislature that a deficit exists in our General Revenue Fund. This deficit has accumulated over a number of years. It is the natural consequence of the financial depression from which we are emerging. It is by no means a desirable condition, yet in our opinion it is not so alarming as to justify a frantic effort to eradicate it in one year's time by piling new taxes on business that has not yet regained normal vigor.

By reason of constitutional amendments recently adopted, the Legislature is permitted to provide a broader social security program, and in addition to adjusting the deficit in General Revenue Fund, we as Legislators are also charged with the responsibility of providing funds for these new activities. Neither of these responsibilities is a mandate to levy new or additional taxes so long as there is any other reasonable alternative. Of course, the easy way to solve the problem is to reach into the pockets of the people and take money without stint, but ordinary prudence and

frugality, and a slight concern for those who are bearing the brunt of our tax burden, will make this solution the last to be applied. Your Committee has concluded that the Legislature has no right to lay additional taxes upon the people for any purpose unless and until it has decreased the expenditures of the State to the lowest point possible consistent with an efficient and economical administration of government. After a careful consideration, we have concluded that a proper administration of the fiscal affairs of the State of Texas does not necessitate additional tax burdens at this time, but on the other hand will remove the deficit more rapidly than it was created, and will also permit the State to embark upon the additional social security program recently authorized by constitutional amendments. We do not mean to say that these ends can be accomplished without curtailing expenses. Unnecessary expenditures of public funds and the elimination of waste and extravagance are essential.

Two courses present themselves to the Legislature, viz: (1) A substantial reduction in expenditures without impairing the efficiency of government; (2) the levying of new and additional taxes with a continuation of extravagance and waste.

Admitting our own contribution to existing conditions, we expect to pursue the course first mentioned, and to this end we make the following recommendations:

First: We recommend that all appropriation bills for the current biennium be recalled for further consideration, and that the total appropriation out of General Revenue and special fees and maintenance taxes be reduced at least \$3,500,000 for each fiscal year.

Second: We recommend that immediate steps be taken to collect delinquent taxes due the State of Texas.

Third: We recommend that all occupational taxes be collected as provided in the Constitution.

Fourth: We recommend an administration of the old age assistance act in keeping with the interpretation of same by the Governor in his message to the Third Called Session of the Forty-fourth Legislature. (See Senate Journal, Third Called Session

Forty-fourth Legislature, pp. 213, 214.)

Fifth: We recommend that no new or additional taxes be levied at this time.

We will discuss these recommendations in the order above set out.

#### Reduction of Appropriations

From our study we believe that a careful and thorough revision of the appropriation bills for the current biennium will result in a saving of at least \$3,500,000, without impairing the efficiency of any department of government. The figures showing expenditures for the fiscal year ending August 31st last are not available, but we are permitted to compare the expenditures for the year ending August 31, 1936, with the appropriations for the current year. This comparison reveals an increase of \$10,262,216.74 for the current year over expenditures in 1936. It is not at all impossible to take \$3,500,000 off of this enormous increase without doing violence to any department of government, and we think it is time for all parties concerned to admit errors of the past and make restitution before it is too late. We do not think it wise to single out any particular department of State for a reduction, nor do we recommend that a horizontal cut be applied to the whole bill, but we do recommend that it be reconsidered and reduced at least to the extent indicated.

All special fees and maintenance taxes should be placed in the General Revenue Fund, and the revenue derived from these sources should be made available to the departments only by direct appropriation by the Legislature. The Committee is of the opinion that the total amount of revenue accruing from such sources for the current fiscal year will be substantially in excess of \$7,981,042, as estimated by the Auditor's Department. The appropriations from these funds for the current year amount to \$6,471,847, which will leave a substantial balance in the funds after taking care of the specific appropriations, but according to the appropriation bills, this balance is available to the several departments without itemization in the bill. In other words, the several departments spend all of this money regardless of the fact that it is not specifically appropriated by the Legislature. The Leg-

islature gave the departments the funds thought necessary, and then threw in for good measure all of the revenue to be derived from the special taxes and fees. It is conservative to say that the revenue will exceed the itemized appropriation by at least \$1,600,000, and it is also safe to say that if this excess were needed by the several departments, the itemizations in the appropriation bills would have included same. In one sense of the word, we are forcing the departments to spend this excess revenue, and in our candid opinion this amounts to an inexcusable waste of \$1,600,000 of State revenue. This error could be corrected by a reconsideration of the appropriation bills.

#### Allocation of Occupation Taxes

At the present time one-half of the gross production tax on oil, one-third of the stamp tax on cigarettes, one-third of the permit fees on cigarettes, and 55 cents out of the \$1.03 tax on sulphur, are being allocated to the Available School Fund. The Constitution requires that one-fourth of all occupation taxes be placed in the Available School Fund.

During the trying days of the depression the Legislature placed the maintenance of the schools above all other State functions, and in order to keep the schools running, when the people were unable to pay ad valorem taxes, and when the school revenue from other sources diminished, the Legislature cut deep into the occupation taxes and allocated money to the School Fund regardless of the embarrassment to General Revenue. As the depression began to recede, steps were taken to diminish the amount of occupation taxes going into the School Fund, and now that business is again approaching a normal basis, we believe that the time has come when the Legislature should adhere to the schedule set out in the Constitution.

During the fiscal year ending August 31, 1937, the School Fund reached a peak far beyond the hope of the vast majority of our people. This was accomplished at the expense of the General Revenue Fund, which is now showing a substantial deficit. For the past fiscal year, the excess funds accruing to the Available School Fund by reason of allocations in excess of one-fourth totaled \$5,164,869.95. For the current year, the excess will be increased substantially.

The facts are that the School Fund has grown to such large proportions as to require the levy of no ad valorem taxes except an amount sufficient to take care of free textbooks. Even with this material reduction in taxes, it is thought that there will be a surplus in the Available School Fund after paying the \$22.00 per capita apportionment.

Your Committee recommends that a re-allocation of occupation taxes be made immediately; that the School Fund receive one-fourth of these taxes; and that the balance be placed where the need is greatest. In making this re-allocation the excess proceeds now accruing to the School Fund should be placed in a special fund to be used only in event such funds are necessary to pay the \$22.00 per capita apportionment for the present scholastic year. No effort should be made to disturb the present per capita apportionment, but any balance remaining in the fund, after paying the \$22.00, should come to the relief of General Revenue. It will not be necessary to impound these funds for the next school year, because the re-allocations could not disturb existing contracts. Without working any undue hardship on the Available School Fund, we believe that at least \$5,164,869.95 can be taken from this fund and placed in General Revenue for the fiscal year ending August 31, 1939. By so doing we can make material progress in meeting the deficit in the General Revenue Fund.

We think it well to call your attention to the fact that in 1920 the State spent \$16,487,042.95 for the support of free schools; by 1930 the amount had increased to \$30,045,372.41; and for the fiscal year ending August 31, 1936, it had increased to \$37,072,203.11. The estimated expenditures for the fiscal year ending August 31, 1938, are placed at \$42,000,000. We sincerely believe that with the increase in the volume of business done by various enterprises paying occupation taxes; the increase in oil, gas, and sulphur production; and the improved methods for collecting all of our taxes, will warrant the re-allocation herein recommended, and that our public school system will be supported in a manner commensurate with the dignity of the State of Texas, and that the strain upon Gen-

eral Revenue will be decreased to the extent of more than \$5,000,000 annually.

#### Delinquent Taxes

According to estimates of the State Comptroller's Department, we have more than \$14,000,000 in delinquent taxes on real estate. It is a known fact that at least \$10,000,000 of this amount could be collected by the exertion of a reasonable amount of diligence and energy. These collections could and should be made during the current biennium. We see no way to justify additional tax levies in the face of existing delinquencies. A sense of justice toward those who have paid taxes and supported the government during both good and bad years of the past, is sufficient to demand the collection of this revenue due the State. Your Committee therefore recommends, out of fairness to the State and to the citizens who have borne their part of the tax load, that we proceed to collect these taxes before we make additional levies. A vigorous effort along this line will yield at least \$10,000,000 within two years.

#### Old Age Assistance

Not quite one year has passed since the Legislature enacted the present Old Age Assistance law. It will serve no purpose to recall in detail the various contentions made with reference to establishing a State policy for the payment of assistance to the needy aged persons. We will content ourselves by calling attention to the Governor's message of October 26, 1936, which was read in the House of Representatives after the Senate had enacted the present law. In this message the Governor said:

"We want to take care of our needy aged; but it is another thing when it comes to the matter of taking money from industrious and thrifty people to give to people who do not need it." \* \* \*

"I think it is destructive of human character to give pensions to people who are not in need. I think we will destroy the American spirit and encourage children to be unmindful of the Biblical admonition to honor our fathers and our mothers. I am told that the records of the Old Age Assistance Commission disclose many

instances of sons and daughters who ask that the State assume the burden of supporting their parents. Instances of property transfers from parents to children are being uncovered from day to day. This is wrong in principle; and the State ought not to be a party to a program that encourages it."

While the Governor did not give utterance to the above statement until after the law was written, yet it is evident that the law is predicated on the philosophy contained in this message. If the idea on which the law is based was sound last fall, it is not out of style for this season. One thing is certain. We must either adhere to the present law, or else give pensions to all persons above sixty-five years who are not constitutionally disqualified. Some members of the Committee favor the liberal policy, but the majority of the Legislature has spoken, and we think the issue is closed. The Legislature repeatedly refused to reconsider the law at the Regular Session. What we need is strict enforcement of this law. We do not say that the people are pleased with existing conditions. It is contended that many people are on the assistance rolls who are not in need.

For the fiscal year of 1938 the State Auditor estimates that there will be available for old age assistance from revenues now allocated to this fund the sum of \$9,349,410. The Social Security Board advised that Texas paid assistance to 46 per cent of all persons over 65 years of age during July, 1937. With one exception, this is the highest percentage payment in the United States. The average for the nation is 19 per cent. Texas is not a poverty stricken State. We have never dropped to the deplorable conditions suffered in many other States, yet we have a far greater percentage of persons over the age of sixty-five receiving old age assistance. Destitution and want are not so prevalent in Texas as to put our State so far ahead of the average. The Federal Government is paying assistance on the basis of need, and we think it will be a hard matter to induce Washington to give us more money when many other poorer States are getting along on much less money. If the State policy, so eloquently advocated by the Governor less than a year ago, is to continue, we do not need more money to take care of our

aged and needy citizens. No one wants to shirk this responsibility, but as the Governor said last fall, we do not want to destroy human character or dwarf the American spirit of personal independence.

The Acting Director of the Old Age Assistance Commission estimates that the present recipients of assistance own real property to the value of twenty-six million dollars. Some of these pensioners have no property at all. Certainly the recipients are not on an even footing. To cure this defect, a majority of the States of the Union have passed laws creating liens on the property of the pensioner to secure the State in the repayment of the money received by him. This law has worked satisfactorily in all of these States, and we see no reason why it will not help our situation. A former Administrator of assistance, the present Administrator, and one Member of the Board of Control all recommended such a law to the Committee, and expressed the opinion that its passage will reduce the rolls to 80,000 or 85,000. This reduction will not be made at the expense of those who really deserve and need help, and who meet the requirements of the existing law. In the opinion of your Committee, the enactment of this suggested amendment to the pension law, coupled with the enforcement of a policy that will require able-bodied and financially responsible children to provide for their aged parents, will solve our assistance problem and leave a balance in funds now available for assistance. The Biblical injunction mentioned by the Governor last year is more important now than ever before in the history of the country, and as our government grows more paternalistic, its importance will increase. Under the circumstances, we do not believe it is necessary to levy new taxes to take care of the needy. If the base for paying pensions is to be broadened, we must make it universal. The consequences of universal payments are known to all, and if such is undertaken, a general sales tax is inevitable, because fifty million dollars annually will be necessary.

#### One Board for All Activities

We also recommend that all social security activities be consolidated under one board. We believe that the blind and the destitute children can be taken care of with very little

increase in administrative expense. We must guard against giving more jobs to the administrators than we give assistance to our blind, and to our neglected children. The overlapping boards and bureaus with hoards of political parasites are sapping the life blood out of our State and are disgusting the taxpayer who is bearing the brunt of governmental extravagance. No good citizen will begrudge money to relieve the destitution of those made helpless by age, affliction or immature years, but he is enraged with righteous indignation when he sees money which was collected for the aged, the blind, and the destitute children squandered in order to keep politicians on the State payroll.

#### The Blind

We yield to no one in our desire to alleviate destitution existing among the blind, and among impoverished children. But ordinary prudence and elementary statesmanship should enable us to avoid the pitfalls into which we blundered in the set-up of the first Old Age Assistance law. The requisite amount of thought and deliberation should be given these important matters in order to avoid waste and the creation of a situation from which it is difficult to recede after an improper administrative agency gets fastened on the people.

It is said that we need \$300,000 for the blind. If these figures are correct—and we do not question them—we say the money can be secured by eliminating the waste and extravagance now prevalent in the attempt made by the State in enforcing the liquor law, and in collecting liquor revenue. The Legislature has appropriated \$1,020,000 to the Liquor Control Board for each year of the biennium. This money has not improved the eyesight of the enforcement officers, and we believe a diversion of it will result in more benefit to those who are blind in fact.

#### Destitute Children

It is said that we need \$1,500,000 for destitute children. If a proper investigation shows this to be true, then your Committee says that the money can be provided by re-writing the current appropriation bills and saving the excess and unitemized special taxes from utter dissipation. The excess in these funds will more than pay the bill, the children will be saved

to posterity, and the State will be relieved of this extravagance.

#### Teacher Retirement

It is said that we need \$1,500,000 for teacher retirement. If this money were available at this time, what would become of it? Is there any immediate demand to pay teachers who are retiring from the teaching profession? As we understand the law, all that could be done with the money would be to find safe bonds in which to invest for the future benefit of the fund. When the amendment was before the people, it was asserted that a number of years would elapse before any teacher would become eligible to draw upon the fund. Of course an attempt was made to abandon this idea after the constitutional amendment was adopted, but nevertheless another Regular Session of the Legislature will convene before any actual payments become due, even if the act is given a retroactive interpretation. We had this matter before us during all of the last Regular Session, and while there was no effort to evade the responsibility of providing needed revenue, it was thought inadvisable to take this money away from the people when it could only be invested at a low rate of interest. The people have spoken on this issue, and their mandate will be obeyed, but it should be obeyed in a manner least harmful to our financial structure. We cannot be indicted for procrastination by saying that there is no immediate need for this money, and that the State of Texas is good for this obligation which will be discharged in an orderly way. Certainly there is no emergency that requires action at a special session.

#### Savings in Social Security Revenues

National prohibition demonstrated the fact that law enforcement must come from local sources. We have thousands of peace officers in this State who are available to enforce our liquor laws. If, among them there are some who will not enforce this law, the people are not without an adequate remedy. It is utterly futile to allow local officers to remain idle and to send enforcement officers from Austin to discharge functions incumbent on sheriffs, constables and police. These local officers now pass the responsibility to State officers. If given to understand that the responsi-

bility is theirs, the duty will be performed in a vast majority of cases. We think conditions will be improved materially and that approximately one million dollars will be saved for the destitute and the afflicted.

There is no excuse for duplicating tax gathering agencies. The Comptroller's Department can collect the liquor taxes at a cost not to exceed \$75,000 per year. This department should be given the job. Why should we have one bevy of collectors running after the cigarette taxes and another crowd following up to collect liquor taxes? Such duplications account for the staggering increase in governmental cost. So long as such a condition exists, it is quite likely that the blind will suffer and many children will be emaciated by reason of want. This is but another example of the creation of a potent bureau which affords jobs for a large number of nice people who should find useful employment. We feel that our duty is apparent. The Liquor Control Board should be abolished. Liquor taxes should be collected by the Comptroller. The \$1,000,000 saving should be used in carrying out the social security program. Of course, this will require political courage and statesmanship. The easier way would be to take more taxes from the exasperated and despairing individuals and industries who are supporting the present extravagances, but excess taxes create the destitution which we seek to alleviate. A prudent use of the State's available revenues will not require more taxation for the social security program.

We have marveled at the courage and fortitude with which our citizenship has borne up under the load of State and Federal taxes. Their patience has been so marvelous that we deem it unnecessary to defend them against the unwarranted accusation of selfishness, haughtiness, and arrogance. We hardly think it a crime to champion the cause of the taxpayer, yet when one does so the demagogue raises the cry of protected predatory interests. Of course, these accusations are hurled to create a smoke screen to becloud the issue as to needed governmental reforms, and to arouse a prejudice that will produce more revenue to be expended in creating new agencies to absorb political patronage. In making our recommendations, we have turned a deaf ear to the hue and cry of those who

believe in social reform for political purposes and have sincerely tried to do justice to the taxpayers, the tax spenders, and the legitimate wards of the State.

#### No Additional Taxes

The present deficit is an accumulation over seven years. It will be unjust to those now on the stage of action to exact payment in one year. In addition to taking care of the social security program by eliminating the unnecessary Liquor Control Board and salvaging the excess special taxes and fees mentioned above, we can reduce the deficit in General Revenue by re-writing the appropriation bills and reducing the appropriations to the extent of at least \$3,500,000 per year. We think no good purpose will be served by encumbering this report by a lengthy dissertation on the ways and means for making this reduction. If the Legislature wants to economize without impairing State service, the task is not difficult. We take our full share of the responsibility for existing conditions and feel that every other State official should do likewise. Plenty of blue pencils have been available in Austin for years past.

We think it safe to say that with improved business conditions, the revenues of the State from present sources will be materially increased. We do not feel that the State Auditor appreciated this condition when he made his estimates. It will not be appropriate to review the vast amount of supporting data considered and weighed by the Committee in order to arrive at the above conclusion, but we are sincere in the belief that the Auditor has underestimated our revenues to the extent of \$3,000,000 annually. This is no wild guess on the part of the Committee, but it is the result of painstaking study and investigation. It is concurred in by a vast number of business men and economists in our State. If with all the money spent to bring about a business recovery and increase the output of factories and the general buying power of our people, we are unable to predict this increase, then we must say that such expenditures are disappointing indeed. We will conclude the discussion of this item by saying that we would be compelled to shut our eyes to overwhelming evidence unless we predict a \$3,000,000 annual increase in revenue.

With a \$3,000,000 increase in revenue, a \$3,500,000 reduction in appropriations, a return of \$5,000,000 to the General Fund from occupation taxes and a \$5,000,000 collection of delinquent taxes, all of which are not only possible, but entirely feasible, we should not be alarmed by the deficit. We have shown a sensible and practical way of taking care of the social security program by savings and adjustments that should be made even if we had no social security problem. Of course, we admit that more money could be spent, but we do not think the expenditure of more money would increase the value of the service rendered to our people. Existing extravagances will work a deterioration of our governmental structure and too much paternalism will necessarily dwarf and emaciate our citizenship. We have ample funds to put our social security program far above the average in the entire nation. Too much security is detrimental to any person. We think our program will discharge the duty of the State which is all anyone could ask.

We might be able to spend more money on roads, but such expenditures would probably impair present efficiency. We could use to advantage more money in our public schools and institutions of higher learning, but the demand is not sufficiently urgent to require more revenue at a time when our educational institutions are receiving far more money than ever before in the history of the State, but we feel that a happy medium has been reached and that we should content ourselves for the time being.

We reiterate that the State stands in need of the reforms above mentioned, and that no new or additional taxes are necessary for legitimate governmental functions.

Respectfully submitted,

HOLBROOK, Chairman;  
WEINERT,  
STONE.

#### Report of Senator Collie

Senator Collie, a member of the Special Committee appointed pursuant to Senate Resolution No. 12, adopted during the Regular Session of the Forty-fifth Legislature, submitted the following preliminary report:

To His Excellency, Governor James V. Allred; Honorable Walter F. Woodul, Lieutenant Governor; and the Members of the 45th Legislature:

Senate Resolution No. 12, authorizing the appointment of the Senate General Investigating Committee and giving it broad inquisitorial powers, was adopted by the Senate January 26, 1937. On February 12, 1937, Lieutenant Governor Walter F. Woodul announced the appointment of the Committee personnel, as follows:

Senators T. J. Holbrook, Galveston; Wilbourne B. Collie, Eastland; Joe Hill, Henderson; Rudolph Weinert, Seguin; and Albert Stone, Brenham.

At its first meeting Senator Holbrook was elected Chairman and Senator Collie Secretary of the Committee.

Senate Resolution No. 90, adopted May 12, 1937, directs the above Committee "to make a detailed inquiry into the general operation of all State governmental departments, boards, institutions and agencies, for the purpose of ascertaining whether or not public funds now handled by said departments, institutions and agencies are being administered and expended according to law; to determine their needs and to make recommendations concerning economies which can be effected, as well as the need, if any, for additional revenue." The resolution enjoins upon the Committee the duty of reporting from time to time and, finally, the filing of its complete report and recommendations sixty days before the convening of the Regular Session of the Forty-sixth Legislature.

In compliance with such requirements, a majority of the Committee, composed of Senators Holbrook, Stone and Collie, met in the Senate Chamber on July 28th and began a survey and study of the fiscal affairs, as well as the vast administrative functions of the State government. A detailed study and comparison of departmental appropriation bills from the biennium 1929-30 to and including the 1938-39 appropriations has been made. Questionnaires have been submitted to every departmental agency, and a vast amount of testimony has been taken and transcribed to show the astounding growth of expenditures and expansions of governmental services in that period. Practically all departmental heads have been before the Committee and submitted budgets



and briefs showing the amount of receipts and expenditures, the number of employees and the additional duties required and imposed by statute. All of this testimony and information is in the files of the Committee for public observance.

The Committee has devoted its time and efforts to a study of State departments only, and would emphasize the fact that two months is insufficient time for completing a survey upon which many more months might profitably be spent. Despite the limited time, however, it is believed the testimony and assembled data in the files of the Committee will serve as a reliable basis for a sensible approach to the problems now confronting the Legislature.

In this supplemental report the writer does not agree in toto with the other members of the Committee signing that report. While agreeing that certain appropriations heretofore made by the Forty-fifth Legislature are greatly excessive and reductions justified, I do not believe that results can possibly be realized to the extent urged by the other Committee-men. By far a greater number of State employees are not now overpaid, and it would be unfair to reduce the salaries of those in the lower brackets. Most certainly the Legislature is obliged to set up the organizations and provide the means of support for the new governmental services recently provided for in the Constitution.

It is true that there exist overlapping and duplicating services that can and should be eliminated. I join with the majority in recommending changes and eliminations that do not impair an indispensable public service. Many salaries in the upper brackets should be reduced, because increases have been allowed in the appropriation bills that are not justified. I am firmly of the opinion that the Legislature will be performing a worthy service for the people if it will insist on the policy of making expenditures meet the income. At present this is not the case, for the facts show that appropriations out of the General Revenue Fund have been increased more than eight millions of dollars each year for the next biennium, whereas, no additional revenue was provided. Moreover, the deficit in the General Fund has steadily increased all along even after the effectiveness of the so-called omnibus tax bill last

October. Furthermore, we are now confronted with the necessity of providing revenue for the needy and destitute children, the blind, the teachers' retirement fund and old age assistance in the aggregate amount of \$7,200,000, apportioned as follows:

Children .....	\$1,500,000.00
Old Age .....	3,500,000.00
Teachers .....	2,000,000.00
Blind .....	200,000.00
Total .....	\$7,200,000.00

#### Increased Governmental Services

I would especially remind the Legislature that our present financial condition is due in a great measure and principally to increased governmental services voted for and demanded by the people themselves. Wisely or unwisely, it then becomes the duty of a legislator to put into effect these vast activities and services, and to provide revenue for their support. No one can sensibly contend that the people were not unmindful of the necessity of increased tax burdens upon themselves when they demanded new governmental services, and even voted these provisions into the Constitution, thereby evidencing an intention to make each and all of them a permanent function of government.

In a Democracy the people are entitled to provide themselves with any governmental services that will prove of greater social advantage through collective action than by individual effort. It is to be assumed that these services are expected to bring not only such general benefits as are implied in the phrases "domestic tranquility," "general welfare," and the "blessings of liberty," which summarize the conception of government by our founders, but such other specific advantages in this modern day as a vast program of social security, including the care for old age, the blind, unemployables, dependent and destitute children; such things as good roads, splendid schools, libraries, parks, game preserves, business supervision and regulation, etc. Moreover, the Government undertakes to provide humanitarian aid for the insane, tuberculars, epileptics, and other unfortunates, at great expense to the taxpayers.

In connection with the demand for increased governmental services, I desire to quote from the 1933 report of the Joint Legislative Committee on

Organization and Economy, as follows:

"Citizens are inclined to look upon their government from two opposed points of view. At times they consider it as an institution of their own creation established to give service that they desire, and call upon it to extend its functions. At other times, especially under conditions of economic uncertainty and social unrest such as those of the present, they look upon it only through the eyes of unwilling taxpayers, as something apart from themselves and responsible for a large part of the financial burden they are called upon to bear. They complain of high taxes, allege extravagance and waste, see State employes not as public servants but as 'payrollers' and 'tax eaters,' and clamor vigorously for reduction in the shares of government support they are called upon to bear. And strange and contradictory as it may seem, those two opposed points of view often are present in the minds, and are evidenced in the attitudes, of the same individuals at the same times. The same person or groups that are most urgent in their demands for tax reduction in general, in many cases form parts of other groups that resist most stubbornly any reduction in the financial provision for the services in which they are particularly interested, and even clamor for extension of such services or the addition of new ones."

#### Increased Deficit

If we contemplate the fiscal condition of the State government, we must consider the present deficit in the General Fund, amounting to \$15,194,632.01, together with the fact that the Forty-fifth Legislature increased appropriations for the biennium 1938-1939 in the amount of \$20,000,000. In addition, consideration must be given to the needed revenue required to finance the new \$7,200,000 social security program outlined above. Let us consider too, the deficit in the General Fund has continued to increase in spite of the additional revenue provided last fall, and is today greater than ever before.

It is estimated by the State Auditor, and substantially concurred in by the statistician in the Comptroller's Department, that this deficit will be increased to \$20,673,141.22 by the year ending August 31, 1938, and further increased to \$24,488,923.40 on August

31, 1939. These estimates take into account the increased appropriations made by the Forty-fifth Legislature, and, naturally, a reasonable and conservative estimate of increased revenues because of improved business conditions. Of course, these estimates and figures are based on situations which may be materially altered over such a period of time, but it is reasonably certain that the present deficit will be substantially increased in both the present and the next fiscal year if appropriations and income remain stationary.

The actual cash deficit on August 31, 1937, was \$10,421,000, and to this figure the Auditor has added \$4,773,632.01 which he lists as "warrants expected to be issued against 1937 fiscal year appropriations." The items constituting this figure have been appropriated, but the actual expenditures will not be made until later. It must be borne in mind, however, that the item of \$4,773,632.01 must be taken into account as a debit against the fund. It is included in the increased appropriations made by the Forty-fifth Legislature for the next biennium. It is astounding to find the appropriations out of the General Fund have been increased from \$22,069,884 for the year 1936 to \$30,667,987.71 for the year 1938, a difference of \$8,598,103.31. Furthermore, appropriations of special funds were increased from \$4,807,735.57 in 1936 to \$6,471,847 in 1938, a difference of \$1,664,113.43. The combined increases amount to \$10,262,216.74. Figures are not available for 1937, as the Auditor has not had time to compile data showing expenditures for the year ending August 31, but they doubtless will be slightly in excess of 1936 figures.

The above increases have largely been for new and increased governmental activities, buildings, salaries, traveling expenses, supplies, rents, etc. The Committee has gone into the departmental appropriations as thoroughly as time would permit, because these appropriations contained the greatest increases; consequently, it has been with the hope that these expenditures could be scaled down to a point where the effected savings would materially reduce the necessity for new or added tax burdens at this time. Most certainly expenditures determine the total tax bill, as well as the aggregate burden of taxation. Spending and

taxation go hand in hand in direct ratio.

#### Balanced Budget

In the light of these figures, which are substantiated by evidence in the files of the Committee, how can we contemplate a reasonable adjustment by reduced expenditures alone when this same Legislature has heretofore considered this question for several months? I was then, and am now, among the members opposed to great increases in appropriations.

If the reader will bear in mind the deficit of \$15,194,632.01 and the increased appropriations of \$20,000,000 for this biennium over the last one, and the additional requirements of \$7,200,000 of new revenue for old age assistance, child welfare, teachers' retirement, and the caring for the needy blind, it can well be concluded from this analysis that materially more revenue is needed for these services demanded by the people of Texas. It is doubtful if reduced appropriations at this time can be made to equal this stupendous amount of needed revenue without seriously impairing necessary governmental services and imperiling the public welfare. However, many eliminations can and should be made.

In view of the need and requirement above outlined, the State has three methods available to put its financial house in order:

First, it may reduce expenditures so that they will equal the cash revenue from present sources at existing rates of taxation.

Second, the rates on existing sources of taxation may be increased to produce sufficient amounts of revenue to pay the current costs of government.

Third, the State may seek new sources of revenue, including the collection of delinquent taxes, so that these, combined with receipts from present sources, will be adequate to meet the current costs of government, including the costs for the new social security program.

I believe in budget reductions, but they should be in the nature of constructive economies rather than indiscriminately slashing salaries and eliminating services which the people have demanded.

In the solution of the problem, consideration should be given to the use

of all three methods: namely, reducing appropriations, increasing the rates of some present tax sources, collecting delinquent taxes, and developing new sources of revenue. Of course improved business conditions should greatly increase revenues, but the increased receipts will not equal the increased appropriations, to say nothing of the necessity of providing revenue sufficient to gradually retire the deficit perhaps over a period of approximately eight or ten years, and the immediate necessity of raising \$7,200,000 a year for the program of social security and teachers' retirement.

The Committee has not had sufficient time to outline the budget needs of the State for the next biennium except in general figures. As the situation stands, it is obvious that the State must find a minimum of \$6,000,000 a year of permanent new revenue to maintain old age assistance and the program of teachers' retirement, care of neglected and destitute children, and the needy blind. In addition, the Old Age Assistance Fund needs \$1,626,487 to repay a loan advanced to the fund at the beginning of the program. Taking into account the increased appropriations made, we can estimate that \$3,000,000 a year of additional revenue is needed for these obligations, presupposing that improved business conditions will add an additional \$6,000,000 revenue each year for the next biennium, based upon the present rates of taxation.

In addition, at least \$2,000,000 a year of revenue should be raised to retire the deficit in the General Fund. Totalling these amounts, it is obvious that \$12,626,487 of new revenue each year is necessary to be raised under the present financial status of the government if the people are given the new services that they have demanded. If some ordinarily useful services are eliminated and the appropriations are reduced, it necessarily follows that the need for this additional revenue would be decreased accordingly.

#### Delinquent Taxes

There has been presented to the Committee testimony evidencing the existence of \$14,000,000 in delinquent ad valorem taxes due the State. The State Comptroller estimates that this is, and should be, 100 per cent collectible. This is an astounding figure, and should be taken into account

in the consideration of raising revenue during the coming biennium. Means of effecting collection of these delinquent taxes have been suggested, and I heartily join with other members of this Committee in urging that these steps be taken, either through the passage of more stringent laws, or through the granting of authority to an officially recognized State agency, to make contracts with outsiders to collect these taxes, or by the adoption of both methods. It is my belief that because of political expediency and lack of sufficient compensation to do the work, local officers will continue their failure or refusal to enforce collections against those who have the largest delinquency in their counties. An official does not desire to incur the political enmity of influential citizens by suing them when there is no particular sentiment among the people to back him up. We now have on the statute books a penalty against such officials for their failure or refusal to vigilantly collect taxes when they become due. Nowhere has this provision of the penal code ever been invoked against an official for this dereliction of duty. This can be understood, because the duty of collecting delinquent taxes carries with it the burden of expenses, including the compiling of data, maps, and abstract services, in addition to requiring experience and technical knowledge in such matters which is not possessed by many officials serving a short time in office. I, therefore, urge the consideration of placing the collection of these delinquent taxes in the hands of competent persons, unobligated by past or future political support, to represent the State of Texas in the collection of all delinquent taxes. Perhaps, as suggested by other members of the Committee, if the Legislature in its wisdom sees fit to allocate the collected delinquent taxes to the funds for social security, it would increase the sentiment for paying up and lend impetus to the collection of these taxes.

#### Allocation of Occupation Taxes

The Constitution of Texas provides that twenty-five per cent of all occupation taxes shall be allocated to the Available School Fund. In addition to this constitutional provision, the Legislature has from time to time increased the allocation on some occupation taxes to the School Fund. This has greatly aided the School Fund,

but has seriously crippled the General Fund. Take, for examples, the oil tax, sulphur tax, and cigarette tax: The oil tax is allocated one-half of 1 per cent to enforcement of the tax law and the remainder is divided one-half to the Available School Fund and one-half to General Revenue. The one-half of this tax alone amounts to approximately \$7,000,000 a year. The State tax rate on sulphur is \$1.03 per long ton, and is divided 55 cents to Available School Fund and 48 cents to General Revenue. The cigarette tax is allocated one-third to Available School Fund and two-thirds to Old Age Assistance Fund. The allocation on other occupation taxes is confined to the constitutional 25 per cent to Available School Fund. Should the Legislature reallocate these funds and confine the revenues from each source to the constitutional 25 per cent provision for the Available School Fund, the General Revenue and Old Age Assistance Funds would benefit in the following amounts:

Oil Tax (to General Revenue) .....	\$3,500,000
Sulphur Tax (to General Revenue).....	600,000
(Difference in 55c ton to 25% of \$1.03)	
Cigarette Tax (Old Age Assistance) .....	500,000
(Difference in 33½% and 25%)	

Thus, by reallocation, the General Fund would be increased \$4,100,000 and the Old Age Assistance Fund would be increased \$500,000, whereas the total of \$4,600,000 would be lost to the Available School Fund. This amount would equal about \$3.00 per capita reduction in the total amount now available to the schools.

The money required for the schools is not unlike the requirements for many other useful and highly desirable governmental services. Even though the appropriations for the schools have increased more than 100 per cent within the past fifteen years and the school funds are in splendid financial condition, there is an increasing demand for even larger appropriations for their maintenance and support from the State. This has been due to a large extent in a breakdown of local support, and while not agreeing with the policy of increasing this burden on the State, I, nevertheless, feel that to disturb the allocations heretofore made to the schools would be a serious mistake and would cause

untold confusion and hardships. Contracts have been made by the Department of Education, and the various schools of Texas have made their budgets based upon the contemplated receipts from the State, including the \$22.00 per capita apportionment heretofore set by the Board of Education. I, therefore, cannot agree with other members of the Committee in recommending at this time the reallocation to the General Fund of the revenues in excess of the Constitutional 25 per cent now going to the Available School Fund. This reallocation, if made, would simply mean a shifting of the burden of raising revenue from one fund to another, because the amount of money taken from the Available School Fund would have to be replenished from some source in order to maintain and operate the schools for the coming biennium, in view of the existing contracts.

#### Special Non-Tax, Fees and License Receipts

Non-tax revenues are contributing in an increasing ratio to the State Treasury. Such revenues include the following:

Licenses, Fees and Permits—oil, gasoline, motor truck, weights and measures, incorporation, insurance, examiner, inspection, boiler, beverage, license fees, seed inspection fees appellate court and other administrative fees, hunting, fishing and trapping licenses, university and teachers' college tuition, etc.

It has been shown by testimony and records before the Committee that there exists more than one hundred "funds" kept by the Comptroller made up out of receipts from these various sources. The Legislature does not exercise control over these tax revenues, but appropriates them to the departments as received. For example, the Legislature sets the rate of tax on gasoline but does not, and could not in this instance, determine how the revenue may be spent. It is obvious that the Legislature could not remain in session continuously and award contracts for road building and maintenance. As a further example let me cite the allocation of a percentage of the tax on crude oil to the Railroad Commission with a grant of blanket authority to spend all the receipts for enforcement purposes. The same is true of motor truck fees; examination fees for various depart-

ments; a percentage of the cigarette taxes to the State Comptroller; licenses and fees to the Liquor Control Board; tuition and other charges levied in the various higher educational institutions. The revenues going into these funds are "ear-marked" and in the aggregate will amount to several million dollars.

The creation of these "funds" is made for the purpose of "dedicating" them to special purposes. It is always contended that any regulatory fee must be applied directly to enforcement of the particular regulation involved. In other words, no surplus can be diverted to general governmental purposes; to prevent diversion a "fund" must be established. This theory underlies the allocation of liquor license, fees and taxes to the Liquor Control Board; the portion of oil tax to the Railroad Commission; the portion of cigarette tax to the Comptroller; the fees and licenses to the Banking Department; the Barber Board; the Cosmetology Board; the Game, Fish and Oyster Commission; the Agriculture Department, and so on.

These "funds" create accounting obstacles which unavoidably must add to the difficulties of the State's fiscal affairs. Worse yet, they make it difficult for the Legislature effectively to insist upon and enforce economical operation of departments. Then, too, they set up almost insurmountable barriers to a clear understanding by the citizens of the State.

The legislative branch of government is vested by law with the sole authority of originating proposals for the raising and spending of public money. This control and authority has been greatly modified and today the Legislature is shorn of a great part of its control of both revenue and expenditures. Further quoting from the Joint Legislative Committee Report:

"Any tax, license, or fee, that is not set in the Constitution is, of course, subject to legislative control and one Legislature is not bound to continue any law adopted by a predecessor. Therefore, it might be said that the Legislature has a certain degree of control over these revenues in the sense that it may resume direct control if it chooses. Many years of practice indicate that because of the proprietary interest created, nothing short of an upheaval can alter any of these allocations."

### Break-down of Fiscal Control

It should be emphasized that the continuation of the trend toward establishing and maintaining licenses, taxes and fees for a specific purpose cannot help but add to the fiscal woes of the State of Texas. Granting that it may be beneficial to a particular group contributing to the fund for the purpose of regulation or administration of its peculiar affairs, nevertheless, it does not contribute to sound fiscal control or sane budgeting and invariably results in unequal distribution of revenues to State activities. A premium is placed on extravagance because some departments receive more than they need to carry on their services. Another department receiving its finances from revenue fund appropriations may render a service equally important, but its activities are curtailed because the Legislature has limited the funds and cannot appropriate sums large enough to permit the department's full exercise of its functions. Another factor is that salaries and expenses of the department receiving blanket appropriations from fees and special taxes are paid in cash; whereas, because of the deficit in the General Revenue Fund, the warrants issued for salaries and expenses on Revenue Fund appropriations have to be discounted for cash. This is unfair discrimination.

I recommend, where it is consistent with sound policy, that these fees, licenses, commissions and receipts of this nature be deposited in the State Treasury and there appropriated by the Legislature as the needs and requirements of the department are shown. It is estimated that several millions of dollars annually can be saved through this means.

### SOCIAL SECURITY PROGRAM

This Committee, while not specifically directed to make a survey of the social security functions recently voted by the people, nevertheless, has done so in a general way, and I, as one member, feel that the task would be incomplete if we failed to consider these probable expenditures of government.

### Old Age Assistance

For the information of the Legislature and the public, I am attaching to this report an analysis compiled in July, 1937, by the Texas Old Age Assistance Commission, showing the number of recipients classified by the amount of grant. I think this information is very pertinent and worthy of study, even though the Acting Director, Mr. W. A. Little, testified that the number of recipients has now been reduced to 114,400. However, it is believed that the ratio of the grants to the aggregate total of recipients will remain approximately the same. Because of the various changes in the administration and rules, this chart may be considered also in a study of the program for the care of dependent and destitute children and the blind to show the necessity of having accurate information as possible when legislation is passed setting up these administrations, thus avoiding the complications under Old Age Assistance regulations. Both Mr. Little and the members of the Board of Control are in agreement that all applicants have now been investigated and classified, and that it can reasonably be expected that a total of approximately 120,000 will be the permanent number of recipients of old age assistance; this includes those commonly referred to as border-line cases.

It has been testified that the receipts now going to old age assistance amount to \$725,000 a month and the expenditures from State funds amount to \$829,426 a month, showing the monthly expenditures to be \$104,426 more than the revenue received. As shown by the accompanying exhibit, the average grant is \$14.00 per person. If the law remains unchanged and the estimate of 120,000 recipients is correct, it shows a need of \$840,000 per month, plus \$42,000 administrative expense, or a total of \$882,000 per month for the next two years.

The chart referred to clearly shows the wide disparity in the grants to old age recipients, and that the average is \$14.00, one-half of which is paid by the Federal Government.

# **RECIPIENTS OF OLD AGE ASSISTANCE CLASSIFIED BY AMOUNT OF GRANT**

Warrant Amount	Number Recipients, July, 1937					Recipients, May, 1937	
	White	Negro	Mexican	Total	% of Total In Each Group	Total Number	% of Total In Each Group
\$ 4.00.....	0	0	0	0	0.00	1	0.00
5.00.....	750	856	43	1,649	1.33	1,953	1.55
6.00.....	1,103	1,355	51	2,509	2.02	2,679	2.13
7.00.....	1,731	2,144	106	3,981	3.21	4,111	3.27
8.00.....	2,715	3,344	218	6,277	5.06	6,158	4.89
9.00.....	2,851	3,837	234	6,922	5.58	6,718	5.34
10.00.....	6,082	4,869	345	11,296	9.11	10,799	8.58
11.00.....	5,054	3,060	229	8,343	6.73	8,085	6.42
12.00.....	8,157	3,318	237	11,712	9.44	11,305	8.98
13.00.....	6,719	2,038	136	8,893	7.17	8,764	6.96
14.00.....	8,602	1,527	144	10,273	8.28	10,157	8.07
15.00.....	10,068	1,014	86	11,168	9.00	11,077	8.80
16.00.....	8,282	368	49	8,699	7.01	8,784	6.98
17.00.....	6,772	170	17	6,959	5.61	7,345	5.84
18.00.....	7,271	104	12	7,387	5.96	8,012	6.37
19.00.....	4,154	38	2	4,194	3.38	4,578	3.64
20.00.....	6,048	26	2	6,076	4.90	6,808	5.41
21.00.....	2,292	9	.....	2,301	1.86	2,548	2.02
22.00.....	2,214	7	2	2,223	1.79	2,443	1.94
23.00.....	1,066	1	.....	1,067	0.86	1,210	0.96
24.00.....	872	3	.....	875	0.71	958	0.76
25.00.....	562	.....	.....	562	0.45	638	0.51
26.00.....	270	.....	.....	270	0.22	291	0.23
27.00.....	123	.....	.....	123	0.10	137	0.11
28.00.....	112	.....	.....	112	0.09	130	0.10
29.00.....	26	.....	.....	26	0.02	24	0.02
30.00.....	124	.....	.....	124	0.10	155	0.12
Total.....	94,020	28,088	1,913	124,021	100.00%	125,868	100.00%
Per cent of total....	75.8%	22.6%	1.6%				

### Destitute and Dependent Children, and Blind

Fully realizing the complicated problems confronting the Legislature in attempting to pass enabling legislation putting into effect the recent constitutional amendments voted by the people for the care of destitute and dependent children and the needy blind, I am in partial agreement with the other members of the Committee in their views that sufficient time and study should be given to this program before a law is passed setting up its administration. We have all contemplated with a great deal of concern the manifold difficulties that may be encountered through the passage of hasty and ill-considered legislation.

The constitutional amendment voted by the people provides for a maximum grant of \$8.00 per month to a destitute and dependent child in a family with only one child, and a maximum of \$12.00 per month to those children in a family with more than one child. It further provides that not in excess of \$1,500,000 annually shall be appropriated by the Legislature for this purpose. The Child Welfare Division of the Board of Control has given the Committee an estimate of thirty-two thousand (32,000) children being eligible for these grants. A representative of the Federal Government, in charge of the Federal social security activities in the Southwest, has made a survey of other States with a similar program, and upon the basis of statistics in those States comparable to Texas in scholastic population, has estimated that the number of eligible children in Texas would approximate twenty-nine thousand (29,000). All of those testifying before the Committee pertaining to this subject have estimated that the expenses of administration of this program would perhaps equal twenty-five per cent of the total expenditures if this particular program is maintained separately from other social security administrations. The Federal Government matches the State funds on the basis of one-third of the amount of the State expenditures, and this would call for a total outlay of \$2,000,000 annually in Texas for these children. It is readily apparent that if this division is set up separately, the cost of administration alone would be one-fourth of the total expenditures, or approximately \$500,000 a year, leaving only the original \$1,500,000 available. Should there prove to

be thirty thousand (30,000) eligible children in Texas for grants, they could not receive in excess of slightly more than \$4.00 each per month. It can also be seen that it would be unfair to grant \$4.00 a month to a single child in a family, and at the same time be inhibited from granting but \$12.00 a month to six children in another family, making an average of \$2.00 for each child in such a family.

The Committee has been advised by experienced men in similar fields of activities that sixty to ninety days time could profitably be spent by a committee of the Legislature, or some other authorized agency, in making a complete study and survey, securing all available information, including experiences in other States, and ascertaining by accurate accounting the number of eligible children, as well as reliable estimates of an equitable disposition of the funds, preliminary to the passage of a law definitely embodying a fixed policy of the State.

This same recommendation applies to the program of providing for the needy blind, although it is not expected that making provisions for these will be as difficult and the set-up for the administration of this program will not be as complicated.

The Committee has been advised that a total of \$200,000 appropriation each year will be sufficient to take care of the estimated number of needy blind, but if this division is separately administered, experience has taught us that the program would carry an even higher percentage of administration cost in proportion to total grants.

### Consolidation of Social Security Divisions

In view of what has been said above, I would suggest that the Board of Control or the State Director of Old Age Assistance be authorized and directed through a suitable resolution passed by the Legislature, to immediately prepare and distribute through the various regional offices proper questionnaires and applications for the blind and destitute and dependent children's grants, with instructions that these investigators assist all applicants with the filing of their applications, and return them as quickly as possible to the Board of Control. It is thought that if proper publicity is given to this means of making applications, much time and expense to the State could be saved, and rea-



sonably accurate information could be secured for the Legislature as to the number of such applicants and those actually eligible, after classification, for grants. After this data has been received and tabulated, it would be available to the legislature as a basis for predetermining the probable costs and benefits of such legislation as should then be enacted. At that time the several divisions of the social security program could be merged and coordinated. Thus, much expense could be saved, and a more satisfactory administration of the whole program could be effectuated and much duplication of services avoided.

#### Teacher Retirement

The people of Texas voted in November, 1936, a Constitutional Amendment to provide for the retirement of its public school teachers who have been in the service for a long period of years. It provides for the State to match funds with any eligible teacher on the basis of 5 per cent of the individual's monthly salary.

The Committee has had before it the Chairman of the Board, Honorable Claude Teer, and Mr. S. Mortimer Brown, Executive Secretary of the Board, who have estimated there are 50,000 public school teachers in Texas and that fully 75 per cent will avail themselves of the privilege of creating a fund for their ultimate retirement. The Committee was advised that 5 per cent of the monthly salaries paid to the public school teachers in Texas amounts to approximately \$2,500,000 a year. Should all teachers in the public schools of the State come into the program, it then would become obligatory for the State to match the aggregate amount of 5 per cent of their monthly salaries, equal to the \$2,500,000 a year which they pay into the fund. If 75 per cent come into the program, we could reasonably estimate that the State would be obliged to contribute a total of \$1,875,000 each year.

#### Government Reorganization and Budgetary Control

The Committee has given some thought and study to a general reorganization of government and to the establishment of an improved system of budgetary control of expenditures. We have been fully satisfied that these two proposals are very essential

to a definite improvement in the governmental structure. We fully realize results of this magnitude cannot be accomplished in two months' time. Another important suggestion is the establishment of a personnel agency to pass upon the qualifications and fitness of all State employees that are not elected by the people. Improved efficiency and an estimated annual saving of \$500,000 would surely result from this policy.

I am merely mentioning these matters without specific recommendation at this time, because of insufficient time for the consideration of such program. It is believed by the Committee, however, that through a continuance of its work a very definite improved system can be accomplished at the session of the 46th Legislature.

#### Conclusion

I have attempted as briefly as possible to outline in a general way the work of the Committee during the past eight weeks, with the intention of presenting the facts and records in the true light in which they have come to me. I am hopeful that other members of the Legislature will read these reports, believing that they offer suggestions worthy of serious consideration. I realize fully the diversity of opinion among the personnel of this Legislature with reference to the need for additional revenue at this time, as well as their views, as expressed by their votes, on the various appropriation bills which have been passed.

I have favored neither increases in appropriations nor increases in taxes, and I am unable to understand how anyone can favor the former and decline to support the latter. That policy would reflect neither consistency nor sound judgment.

I am not now advocating more taxes, and insist it is painful to face facts which show the need of more revenue. My votes in the Senate have been on the side of strict economy, but when the Legislature and the people of Texas have created the situation calling for increased millions in expenditures, it is not for me to criticize and refuse to discharge the obligation created thereby, namely, the obligation of providing revenue to meet the demands.

We should consider the facts, as I have attempted fairly to give them, which reflect a financial situation in Texas that has become most serious. The Senate Finance Committee, to

which all appropriation bills are referred, is charged with the duty and responsibility of passing upon all appropriated moneys made by the State; this is also true of the Committee on Appropriations of the House of Representatives.

Since I am not a member of the Senate Finance Committee, I can speak as one of the other Members of both Houses who does not hold membership on the committees supervising the appropriation bills. These Members must necessarily depend in a large measure upon the recommendations made by the Appropriations Committees, which consider the bills, hear in detail the heads of all the departments and institutions, and make their recommendations for the passage of the bills, based upon their judgment as to the needs and requirements of the State government. One not a member of either committee finds it impossible to intelligently study and analyze an appropriation bill after it reaches the floor of the House or Senate. The only opportunity for a legislator not a member of either of these Committees to familiarize himself with the cost of government is after the recommendations of these committees have been made and the bills printed. To economize whenever and wherever he sees the opportunity, to reduce salaries and other expenses or dispense with what might be classified as a useful governmental service, but one not indispensable to the public welfare, it becomes necessary for him to hurriedly offer amendments to these bills, or hope to have the items eliminated later in the conference report.

#### Criticism of Conference Reports

Every Member of the Legislature well knows that appropriation bills, as well as other legislation, have very often been passed by both Houses, with full knowledge of the fact that such bills would be rewritten by a Conference Committee of each House. This is frequently, if not always, done on appropriation bills. When the conference reports are approved by a majority of the committee, consisting of five Members from each House, they are presented to the Legislature for adoption, very often without being printed and an opportunity given to other members to know their contents. This particular procedure was followed in the final passage of all the

major appropriation bills during the last regular session.

The evils of this practice and procedure are evident, and I repeat what I have urged on the floor of the Senate that all conference reports, especially those appropriating public moneys, should be printed in the Journals at least forty-eight hours before the motion is made for adopting them, thus affording all members an opportunity of reading and analyzing them. I now recommend to the Rules Committees of both Houses that the Joint Rules be amended in this respect.

Summarizing, let me say this report contains factual data substantiated by records in the files of the Committee, and the recommendations herein made are based upon facts as I have gathered them.

The Committee is in agreement as to the necessity of reducing appropriations heretofore made in order to hold down the requirements of additional taxes, but we have different views in an analysis of the whole picture for the reason I have accounted for the costs of the new social security program; whereas the postponement of these matters is favored by the majority, I have also accounted for a reasonable annual reduction of the deficit in the General Fund. I favor the establishment of the administration of the new child welfare and needy blind program and the teacher retirement system as early as the Legislature can wisely act upon them.

The facts herein given create a situation calling for a statesman-like approach to the problem and its solution by those entrusted by the people with this responsibility. We should all give our best thoughts and efforts to this undertaking for the best interests of the people of Texas.

We have had the hearty cooperation of the heads of most of the State departments, for which they have our appreciation, and I think especial acknowledgment should be given to the State Auditor's Office and to the State Comptroller and his assistants for their very obliging response to all requests of the Committee for information they possessed.

Respectfully submitted,

WILBOURNE B. COLLIE,  
Secretary, Senate Investigating  
Committee.

**Message From the House**

A Clerk from the House was recognized to present the following message:

Hall of the House of Representatives,

Hon. Walter F. Woodul, President of the Senate.

Sir: I am directed by the House to inform the Senate that the House has passed the following bill and resolutions:

H. B. No. 1, A bill to be entitled "An Act making an appropriation of the sum of One Hundred Thousand (\$100,000) Dollars or so much thereof as may be necessary, out of any funds in the State Treasury, not otherwise appropriated, to pay contingent expenses, and to pay the mileage and per diem of Members and per diem of officers and employees of the Second Called Session of the Forty-fifth Legislature, and to pay any unpaid bills or accounts of the First Called Session of the Forty-fifth Legislature, also, there is hereby re-appropriated any unexpended balances at the credit of the Contingent Expense Fund of the House of Representatives, same being No. W-1377 account, and be used for the same purposes as is above set out, as may be found necessary, and declaring an emergency."

H. C. R. No. 6, Requesting the Governor of the State to submit to this session of the Legislature a bill authorizing the Board of Control to locate various boards and commissions in the Confederate Home.

H. C. R. No. 11, Requesting the Department of Agriculture of the United States to place cotton classers at all necessary points in the State of Texas.

Respectfully submitted,

LOUISE SNOW PHINNEY,  
Chief Clerk, House of Representatives.

**House Bill No. 1 on First Reading**

H. B. No. 1, received from the House today, was laid before the Senate, read first time, and referred to the Committee on Finance.

**House Concurrent Resolutions .  
Referred**

The following resolutions, received from the House today, were laid before the Senate, read severally and referred to the committees indicated:

H. C. R. No. 6, to Committee on Public Buildings and Grounds.

H. C. R. No. 11, to Committee on Agriculture.

**Senate Resolution No. 5**

Senator Pace, by unanimous consent, offered the following resolution:

Whereas, Honorable W. Dewey Lawrence, and party, of Tyler, Texas, are in the corridors of the Capitol Building today in the interest of the Fifth Annual Rose Festival to be held in Tyler on October 8, 9, and 10; therefore, be it

Resolved by the Senate of Texas, That they be granted the privileges of the floor for the day and be invited to briefly address the Senate.

On motion of Senator Pace, and by unanimous consent, the resolution was considered at this time, and was adopted.

Accordingly, the President Pro Tempore appointed Senators Pace, Moore and Cotten to escort the visitors referred to in the resolution to the President's stand.

Senator Pace presented Hon. W. Dewey Lawrence, who addressed the Senate briefly, and extended to the Senators an invitation to attend the Rose Festival to be held in the City of Tyler on October 8, 9, and 10, 1937.

Senator Pace then introduced Mr. Harold Bryant, Hon. Tom L. Beauchamp and Mr. William Richardson, the other members of the party.

**Report of Standing Committee**

Senator Woodruff, by unanimous consent, submitted, at this time, the following report:

Austin, Texas, September 30, 1937.

Hon. Allan Shivers, President Pro Tempore of the Senate.

Sir: We your Committee on Finance, to whom was referred H. B. No. 1, a bill to be entitled

"An Act making an appropriation of the sum of One Hundred Thousand Dollars (\$100,000), or so much thereof as may be necessary, out of any funds in the State Treasury, not otherwise appropriated, to pay contingent expenses, and to pay the mileage and per diem of members

and per diem of officers and employees of the Second Called Session of the Forty-fifth Legislature, and to pay any unpaid bills or accounts of the First Called Session of the Forty-fifth Legislature, also, there is hereby reappropriated any unexpended balances to the credit of the Contingent Expense Fund of the House of Representatives, same being No. W-1377 account, and be used for the same purposes as above set out, as may be found necessary, and declaring an emergency."

Have had said bill under consideration, and I am instructed to report same back to the Senate, with the recommendation that it do pass, and be not printed.

WOODRUFF, Vice-Chairman.

#### House Bill No. 1 On Second Reading

Senator Woodruff moved that the constitutional rule requiring bills to be read on three several days be suspended and that House Bill No. 1 be placed on its second reading and passage to third reading today.

The motion prevailed by the following vote:

Yeas—22

Aikin	Oneal
Brownlee	Pace
Collie	Roberts
Cotten	Shivers
Davis	Small
Head	Spears
Hill	Stone
Isbell	Sulak
Lemens	Van Zandt
Neal	Westerfeld
Newton	Woodruff

Nays—2

Holbrook                      Moore

Present—Not Voting

Rawlings

Absent—Excused

Beck	Redditt
Burns	Weinert
Nelson	Winfield

The President Pro Tempore laid the bill before the Senate.

On motion of Senator Woodruff, and by unanimous consent, Senate Rules Nos. 31a and 48 were suspended severally, to permit consideration of the bill at this time.

The bill was read second time.

Senator Woodruff offered the following amendment to the bill:

Amend House Bill No. 1 by striking out the words and figures, "One Hundred Thousand Dollars (\$100,000)," and substituting in lieu thereof the following: "Fifty Thousand Dollars (\$50,000)."

The amendment was adopted.

House Bill No. 1 then was passed to third reading.

#### House Bill No. 1 On Third Reading

Senator Woodruff moved that the constitutional rule requiring bills to be read on three several days be suspended and that House Bill No. 1 be placed on its third reading and final passage.

The motion prevailed by the following vote:

Yeas—24.

Aikin	Oneal
Brownlee	Pace
Collie	Rawlings
Cotten	Roberts
Davis	Shivers
Head	Small
Hill	Spears
Holbrook	Stone
Isbell	Sulak
Lemens	Van Zandt
Neal	Westerfeld
Newton	Woodruff

Nay—1

Moore

Absent—Excused

Beck	Redditt
Burns	Weinert
Nelson	Winfield

The President Pro Tempore then laid the bill before the Senate on its third reading and final passage.

The bill was read third time and was passed by the following vote:

Yeas—24

Aikin	Lemens
Brownlee	Neal
Collie	Newton
Cotten	Oneal
Davis	Pace
Head	Rawlings
Hill	Roberts
Holbrook	Shivers
Isbell	Small

Spears  
Stone  
Sulak

Van Zandt  
Westerfeld  
Woodruff

Nay—1

Moore

Absent—Excused

Beck  
Burns  
Nelson

Redditt  
Weinert  
Winfield

#### Message From the House

A Clerk from the House was recognized to present the following message:

Hall of the House of Representatives,  
Hon. Walter F. Woodul, President  
of the Senate.

Sir: I am directed by the House to inform the Senate that the House has passed the following resolution:

H. C. R. No. 12, Authorizing and instructing the Board of Control to extend an invitation to the Confederate Veterans who attend the convention of the Daughters of the Confederacy to be the guests of the State of Texas at the Men's Confederate Home in Austin.

Respectfully submitted,

LOUISE SNOW PHINNEY,  
Chief Clerk, House of Representatives.

#### House Concurrent Resolution No. 12

The President Pro Tempore laid before the Senate the following resolution, received from the House today:

H. C. R. No. 12, Extending an invitation to Confederate Veterans attending the convention of the Daughters of the Confederacy, to be held in the City of Austin.

(Senator Rawlings in the Chair.)

The resolution was read.

On motion of Senator Moore, and by unanimous consent, the rule requiring concurrent resolutions to be referred to a committee was suspended, and the resolution was considered at this time and was adopted.

#### Senate Resolution No. 6

Senator Woodruff, by unanimous consent, offered the following resolution:

Be it resolved, That the Caucus Report be amended so as to include the following section:

It is further recommended that the Sergeant-at-Arms be allowed pay for each day of service from the date he ceased to draw compensation from his other employment for services rendered in advance of and in preparation of the convening of this, the Second Called Session of the Forty-fifth Legislature; also extra employees and the porters who were selected to prepare the Senate Chamber in advance of the meeting, be allowed pay for their services, the per diem allowed each of the employees mentioned in this report to be the same as therein fixed.

The resolution was read, and by unanimous consent, it was considered at this time and was adopted.

#### Report of Standing Committee

Senator Davis, by unanimous consent, submitted at this time the following report:

Austin, Texas, September 30, 1937.

Honorable Allan Shivers, President  
Pro Tempore of the Senate.

Sir: We, your Committee on Agriculture, to whom was referred House Concurrent Resolution No. 11, beg to report same back to the Senate with the recommendation that it do pass and be not printed.

Respectfully,

DAVIS, Chairman.

#### House Concurrent Resolution No. 11

The Presiding Officer laid before the Senate, for consideration at this time, the following resolution:

H. C. R. No. 11, Requesting United States Department of Agriculture to provide adequate facilities for grading cotton on which loans from the Federal Government will be asked.

(President Pro Tempore in the Chair.)

The resolution was read and was adopted.

#### Adjournment

On motion of Senator Spears, the Senate, at 11:15 o'clock a. m., adjourned until 10:00 o'clock a. m., next Monday, October 4, 1937.